



All You Wanted to Know About Foreign-Trade Zones to get Ahead



**FOREIGN-TRADE
ZONE Nº 68**

El Paso International Airport





What is a Foreign-Trade Zone?

- ✓ A secure area located in or near a Port of Entry, legally outside the U.S. Customs territory, where foreign and domestic goods can be brought for storage, manipulation, manufacturing and/ or distribution, without a formal Customs entry or payment of Customs duties.
- ✓ Legally outside the U.S. Customs Territory
- ✓ FTZ Board has authority to approve manufacturing activity based on public interest

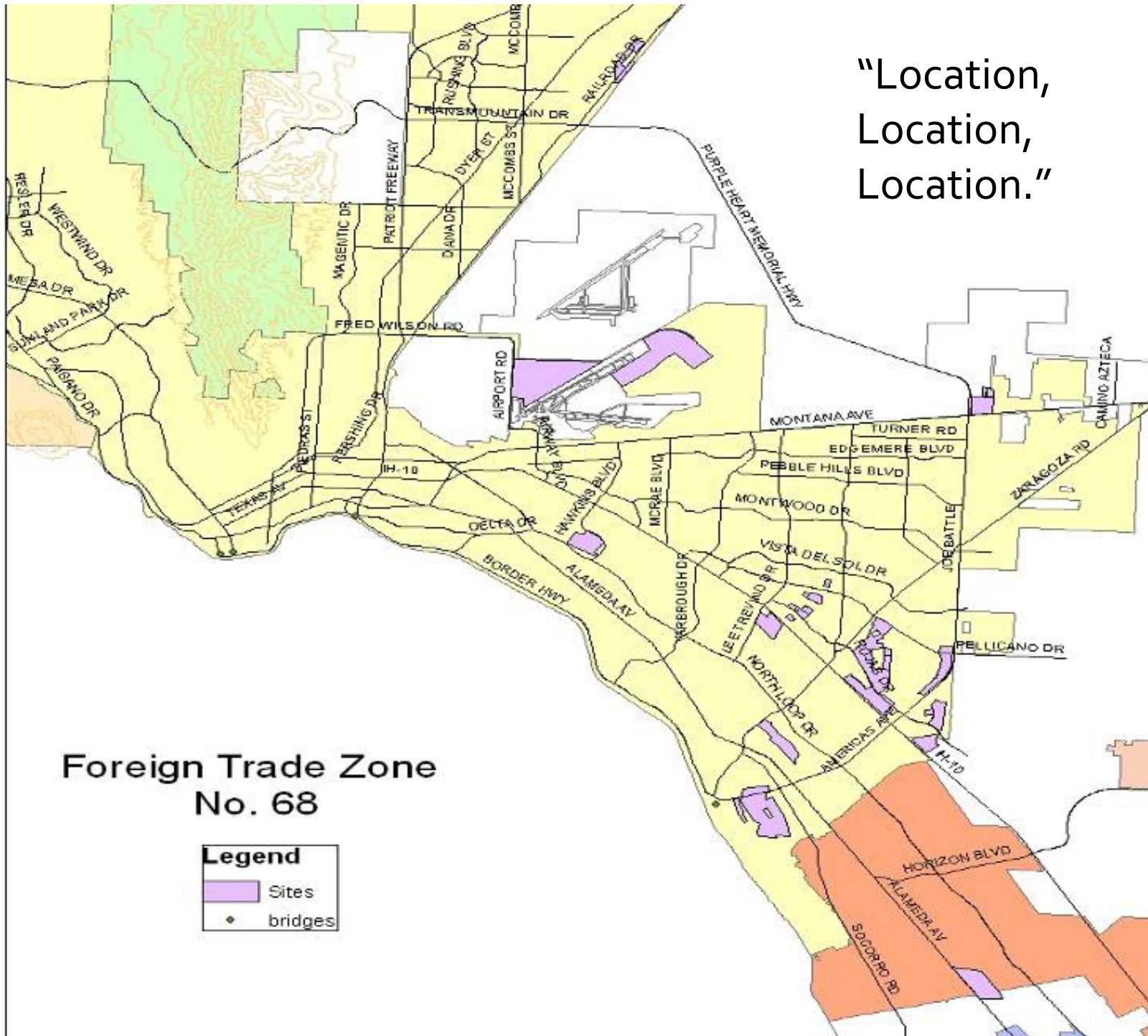




Overview - El Paso's FTZ No. 68

- Largest in volume GP Zone in the nation (FY 09) with over \$12 billion of goods passing through the zone,
- Over 3,400 designated FTZ acres in five regional sites with various industrial parks:
 - **Butterfield Trial Industrial park**
 - **Americas Industrial Park**
 - **Copperfield Industrial Park**
 - **East 10 Industrial Park**
 - **Premier 5 Industrial Park**
 - **Saab Development Park**
 - **Ysleta Industrial Park**
 - **Global Reach Science & Technology**
 - **Pan American Industrial Park**
 - **BW Business Park**
 - **Five Star International Business Park**
 - **Public Service Board Park**
 - **Vista de Sol Industrial Park**
- Handled 4,900 items from over 114 countries in FY10,
- Located at EPIA's International Trade Processing Center-- the region's only one stop shop for international trade--with specialized CBP staff on site.





“Location,
Location,
Location.”





What can you do in a Foreign-Trade Zone?

- **Assemble**
- **Destroy**
- **Exhibit**
- **Repair**
- **Repackage**
- **Store**
- **Test and inspect**
- **Manufacture**





What Markets can use the Zone?



- Aerospace vehicles & components
- Apparel & Textile products
- Automotive parts and components
- Consumer Electronics (computers, printers, cell phones, cable decoders, LCD & Plasma TVs, vacuum cleaners)
- Food products
- Green technology (solar, wind, electric)
- Medical supplies & equipment
- Metals & minerals
- Petroleum products (gasoline, jet fuel)
- Plastic and rubber products
- Pharmaceutical products



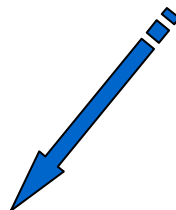


FTZ Model for Import & Export Activity

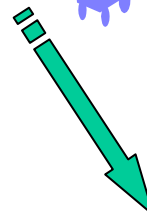
Goods Arrive In bond



**Goods admitted
in FTZ No. 68**



**Goods Entered to US commerce:
Duty deferred**



**Goods Re-exported:
No duty paid**





How do I save money for my company?

- ✓ Duty Deferral
- ✓ Avoid Customs Fines & Seizures
- ✓ No Duty on Waste
- ✓ Duty Elimination
- ✓ Duty Reduction (Inverted Tariff Relief)
- ✓ Reduced Bond and Brokerage Costs
- ✓ Eliminate Drawbacks
- ✓ Direct Delivery
- ✓ Weekly Entries
- ✓ Weekly Exports
- ✓ Lower Administrative Costs
- ✓ Improved Inventory Control
- ✓ Informed Customs Officers
- ✓ Avoid Taxes on inventory
- ✓ US Quotas are eliminated





Most Important Benefits

- Deferral of duties:
 - Cash Flow
 - Seasonal Goods
- Duty Elimination (Exported or Destroyed)
- Cost effective
- Duty Reduction- Type of Status





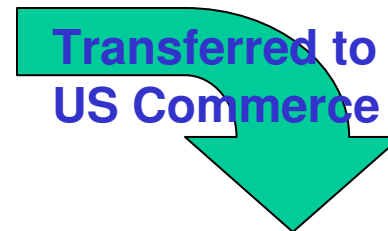
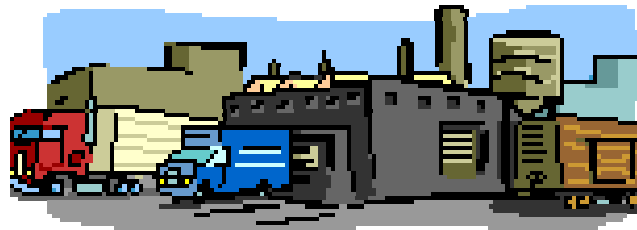
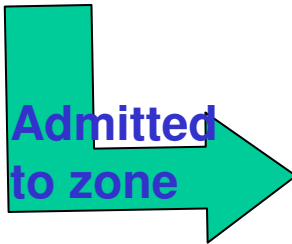
Types of Zone Status

- Privileged Foreign (PF)- Appraised and classified in condition at the time status is elected
- Non Privileged Foreign (NPF)- Appraised and classified at time of entry into USA
- Zone Restricted- Merchandise brought just for exportation, destruction, or storage
- Domestic- Duties and tax are already paid



Duty Deferral

Product A is received
in FTZ January 2.
No Duty paid.



Product A is
shipped out April
10. Duty is paid.

Company deferred duty for three months





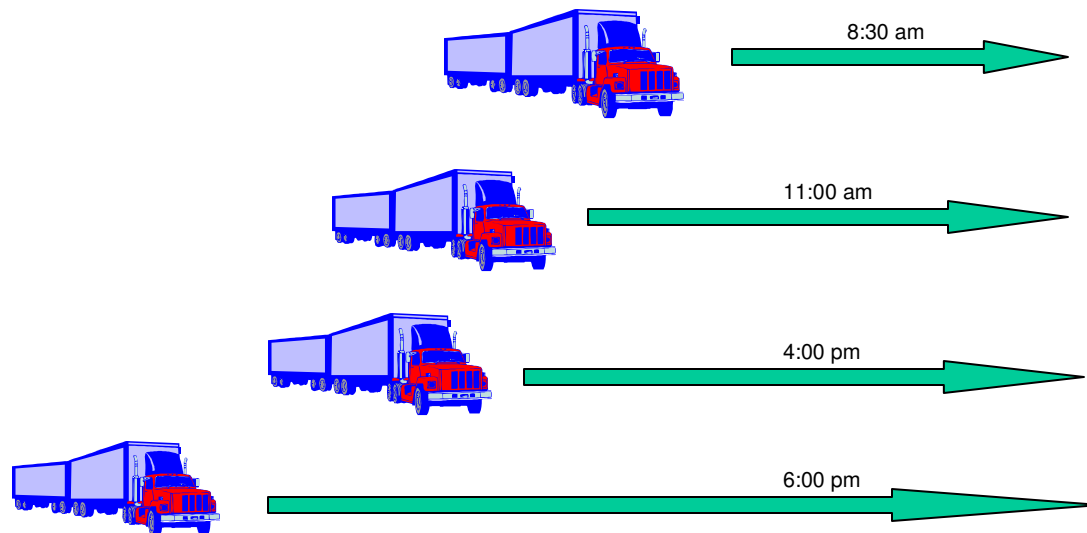
Duty Reduction in a Manufacturing Zone





Seamless Transactions : Direct Delivery

- Allows “in bond” shipments to be shipped directly into a FTZ without having filed and approved an FTZ admission application, instead of having to file an admission for each shipment.
- All shipments admitted under one FTZ Admission Application which is filed until the end of business day. One cumulative admission covers all shipments within a 24 hour period, saving time and money!





Seamless Transactions: Weekly Entry

None FTZ



35 shipments received per week, requires filing of 35 Customs Entries, MPF (\$7,200)



Foreign-Trade Zone



35 shipments received per week



35 shipments authorized under one weekly customs entry & MPF capped (\$485)





Other Benefits

- **Avoid Customs Fines and Seizures:** Goods without marking, visa or quota documentation can be admitted into the zone,
- **No Duty on Waste, Labor, Overhead and profits**
- **Avoid Taxes-** No state or local Ad Valorem apply to foreign merchandise in an FTZ,
- **Elimination of Drawbacks-** No need for Drawbacks
- **Quotas:** If goods are subject to a quota they can be stored in a FTZ until the time the quota opens,
- **Reduced Bond & Brokerage Cost.**



FTZ No. 68 Customer Oriented Services

- Assistance on New company activation & Operational Start-up
- Compliance & Ongoing program that offers:
 - **FTZ Operations Training seminar**, one of only a few in the entire nation by a Grantee,
 - **Compliance audits** to improve internal controls
 - Record Keeping
 - Customs Compliance assistance
 - Assistance with Reconciliation Reports (monthly) and Annual Report
- E-214 admission available to all FTZ businesses.
- Assist with information about Public Warehouses for services such as:
 - Manipulation
 - Warehouse & Distribution (freight forwarding)
 - Storage
 - Light Manufacturing





So How do You Get Started?

1. Contact the FTZ No. 68 office to help you activate your zone site, or
2. Contact any of the six FTZ Public Warehouses that can receive goods and provide value-added services. (listed below)

- Morrison Express, 12435 Rojas Dr., 79928, (915) 781-0134
- Nippon Express, 28-E, Walter Jones, 79906, (915) 778-2868
- Pedraza CHB, 9701 Pan American, 79927, (915) 772-3588
- ProTrans International, Inc., 12425 Rojas Dr., 79928, (915) 298-3690
- Trans-Expedite, Inc., 7 Founders Blvd Suite E, 79906, (915) 779-9100
- UPS Supply Chain Solutions, 10 Leigh Fisher, 79906, (915) 298-3349



FTZ SAVINGS WORKSHEET



FOREIGN-TRADE
ZONE Nº 68
STANDARD FORM 100-100-100



SAMPLE FTZ BUSINESS BACKGROUND

Annual inventory importations:	\$50,000,000
Inventory turnovers:	4 x per year
Average duty rate for parts:	10%
Average duty rate for finished products:	7.5%
Interest rate:	12%
Annual customs duty expense:	\$5,000,000
Annual interest expenses:	600,000
Excise tax rate:	10%

YOUR BUSINESS

\$	
%	
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SAMPLE FTZ BUSINESS

FTZ SAVINGS

YOUR BUSINESS

Cash Flow/Inventory Cost of Money— (value of imported goods in avg. inventory X avg. duty rate X interest rate) (ie., \$50,000,000/4 inventory turnovers x 10% x 12%)	\$150,000
Obsolete/Surplus (5%) — (value of imported goods x avg. percentage obsolete/surplus x avg. duty rate) (ie., \$50,000,000 x 5% x 10%)	\$250,000
Waste/Scrap/Engineering Change (5%)— (value of imported goods x avg. percentage waste/scrap x avg. duty rate) (ie., \$50,000,000 x 5% x 10%)	\$250,000
Exports (15%)— (value of imported goods x export percentage x avg. duty rate) (ie., \$50,000,000 x 15% x 10%)	\$750,000
International Returns (2%)— (value of imported goods x return percentage x avg. duty rate) (ie., \$50,000,000 x 2% x 10%)	\$100,000
Zone-to-Zone Transfer (10%)— (value of imported goods x transfer percent x avg. duty rate) (ie., \$50,000,000 x 10% x 10%)	\$500,000
Military Sales (5%)— (value of imported goods x military percent x avg. duty rate) (ie., \$50,000,000 x 5% x 10%)	\$250,000
Inverted Duty — (value of imported goods x (domestic % - military % - zone transfer %) x difference between part rate and inverted rate) (ie., \$50,000,000 x (85% - 5% - 10%) x 2.5%)	\$875,000
Excise Tax — (Value of imported goods x export percentage x excise tax rate %) (ie., \$50,000,000 x 15% x 10%)	\$0
Weekly Entry Advantages: MPF Savings Opportunity [annual MPF - (485 x 52)]	\$0
Gross Savings	\$3,125,000

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Note: Percentages used in the following categories are representative only: Obsolete (5%), Waste (5%), Exports (15%), International Returns (2%), Z to Z Transfer (10%), Military (5%).



What's New?

Small Manufacturing Business Accelerator (SMBA)

- The SMBA incentive was created for small manufacturing businesses. Available only in El Paso.
- Eligibility Criteria:
 - Business of less than 500 employees, and established in the U.S.,
 - Business must manufacture as defined under Customs regulations,
 - Application process coordinated thru FTZ Manager.
- What Does it Do: Reduce Start-up Cost:
 - Activation fee is waived,
 - No transaction fees for the first year of operation,
 - FTZ Operations Training fees waived for up to 4 key employees.





Where to get more information

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